

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

**BMR3134 – STRATEGIC MARKETING**

( All sections / Groups )

1 JUNE 2018  
3.00 p.m – 5.00 p.m  
( 2 Hours )

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**INSTRUCTIONS TO STUDENTS**

1. This Question paper consists of **10 pages** with **4 Questions** only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.



**READ ALL THE ACCOMPANYING NEWS REPORTS****News report 1: Nokia: three big problems for deposed king of mobile**

Nokia is bleeding cash, and its plunge into the Microsoft ecosystem isn't off to a good start. What's next for the company? Nokia's results for Q1 2012 are in: They're not good. Compared to the same quarter last year, Nokia overall revenue is down 29%, to \$9.7bn (£6bn). And the company is now losing money, \$1.8bn, 18.5% of revenue. [Nokia's official numbers are stated in euros, I convert them at today's rate of \$1.32 for 1€.]

One year after Nokia's decision to jump off its "burning platform", this is yet another bad quarter and leaves one to wonder about the company's future. Many, like Forbes' Erik Savitz, think The Worst Is Still To Come.

I see three life-threatening problems for the deposed king of mobile phones.

First and potentially most lethal: Nokia is burning cash. As the chart above documents, Nokia's Net Cash went down 24% in one year. From page 5 of the Earnings Release: "Year-on-year, net cash and other liquid assets decreased by \$2bn. Sequentially [emphasis added], net cash and other liquid assets decreased by \$.9bn." Here, the word *sequentially* means compared to the immediately preceding quarter, as opposed to the same quarter last year.

Elsewhere in the document, on page 6, we learn Microsoft provided \$250m in "platform support payments". If you back this amount out, you see Nokia's operations have in fact consumed \$1.15bn, a significant fraction of the company's \$6.4bn net cash. This cannot continue for very long and leads Henry Blodget to worry Nokia could go bankrupt in two years or less.

Henry's view might be a bit extreme. Nokia has assets it could convert to cash, thus giving itself more runway for its recovery efforts. But, as we'll see below, the company's prospects in both phone categories don't look stellar. And bad things happen to cash when the market loses confidence in a company's future: vendors want to be paid more quickly, customers become more hesitant, all precipitating a crisis.

**Advertisement**

Second, the dumbphone (aka "mobile phones") business, still Nokia's largest, is now in a race to the bottom:

Volume is huge, 70.8m units; it dipped 16%, not a good sign. Worse, the ASP (average selling price) went down 18% to \$44. Mostly in developing countries, Nokia is now losing ground to the likes of Huawei and ZTE selling feature phones and smartphones, both very inexpensive. Unsurprisingly, Nokia claims they'll counterattack with their Asha family of mobile phones. Few, outside of Nokia, or even inside, believe they can win a brutal price cutting fight against those adversaries.

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Last, Nokia's last hope: its new Windows Phone "smart devices".

As the chart above shows, Nokia's smartphone business keeps sinking: -51% in volume compared to the same quarter last year. And, with a \$189 ASP, it can't make any significant money as \$189 is about what it *costs* to build one.

As for the latest Lumia smartphones, the reviews have been mixed. So are sales, according to Stephen Elop, Nokia's chief executive. Going to the earnings release, I searched for the word "Lumia" in the document. It appears 29 times – without any number attached to it, just words like "encouraging awards and popular acclaim". Which can only mean one thing: actual numbers better left unsaid.

Things don't get better when, according to Reuters, mobile carriers in Europe pronounced themselves "unconvinced", finding the new Lumia smartphones "not good enough". It is worth noting things could be better in the US where AT&T appears to make a real effort selling Lumias, and where Verizon recently stated its interest in fostering a third ecosystem with Windows Phone devices.

Unfortunately, we also hear a puzzling rumour: existing Lumia phones wouldn't be upgradable to the next OS version, Windows Phone 8. Both Mary Jo Foley, a recognised authority on things Microsoft, and The Verge, an aggressive and often well-sourced blog, support that theory.

So far, in spite of the potential damage to their business, neither Microsoft nor Nokia have seen fit to comment. Should it be true, should current Lumia buyers find themselves unable to upgrade their software, Microsoft would be about to commit a massive blunder.

But why would it do this? Apparently, the current Windows Phone OS is built on the venerable Windows CE kernel. Setting veneration aside, Microsoft would have decided to use a more modern foundation for Windows Phone 8. And said modern foundation would not run on today's hardware. For Nokia's sake, I hope this is incorrect. The company already convinced its customer Symbian-based phones had no future. Sales plunged as a result. Doing the same thing for today's Lumia devices would be even more dangerous.

A little over a year ago, in February 2011, Elop issued his "memorable" Burning Platform memo. In it, the ex-Microsoft executive made an excellent point: having no doubt observed the rise of Google's Android and of Apple's iOS, he concluded Nokia was no longer in a fight of devices but in a war of ecosystems.

Elop next drew an analogy between Nokia's jumbled smartphone product line and a burning North Sea oil-drilling rig. To him, the company had no choice: instead of staying on the platform and dying in the blaze, he suggested plunging in freezing waters – with a chance of staying alive. Which, as he soon revealed, meant jumping off Nokia's Symbian and Meego software platforms and joining the Microsoft Windows Phone ecosystem.

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Today, Nokia bleeds cash, its dumbphone business in a race to the bottom, and its plunge into the Microsoft ecosystem isn't off to a good start. What's next for the company? Can it turn itself around, and how?

With hindsight, it appears the premature announcement of the jump to Windows Phone osborned Nokia's existing smartphones. Their sales dropped while the market waited for the new devices running Windows Phone. Some, like Tomi Ahonen, an unusually vocal – and voluminous – blogger, think Elop should be fired, and Symbian and Meego restored to their just place in Nokia's product line. This isn't very realistic.

Closer to reality is Microsoft's determination to get back in the smartphone race, almost at any cost. (For reference look at the billions the company keeps losing in its online business. \$449m this past quarter.)

At some point in time, if Lumia sales still barely move the needle, Microsoft would have to either drop Nokia and look for another vehicle for Windows Phone. Or it will have to assume full control of Nokia, pare down what it doesn't need, and do what it does for the Xbox – that is, be in charge of everything: hardware, software, applications.

(Source: Gassee, Jean-Louis. (2012, April 23). *Nokia: three big problems for deposed king of mobile phones*. Retrieved from:  
<https://www.theguardian.com/technology/2012/apr/23/monday-note-nokia>)

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## News Report 2: Three Problems in NOKIA's Organizational Structure

*Organizations are implementing not the strategies declared in their documents but those their organizational structures allow them.*

In this article, I examine three core problems in NOKIA's organizational structure. In my opinion, these problems significantly impact the company's outcome.

### 1. Top management overload

Too many members in top management will inevitably result in complicated communication between the team members and their subordinates. Too much time will be wasted on discussing detailed, nonstrategic issues. Moreover, overload in top management will make it increasingly difficult to focus on critical issues that require immediate attention. Bureaucratic problems will arise, while subordinate barriers will make it less efficient to implement new ideas or complete on-going operational tasks.

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## 2. Separation of units at the top management level

*(mobile phones' and 'smart devices')*

This separation will result in unnecessary spending of management's attention and company's other resources on mobile phones, even when there will be no need of it, according to the declining demand on mobile phone market.

Moreover, this problem will result in the inefficient use of time and resources that could be spent on the development of smart devices; however, it leaves the moribund business unit (mobile phones) on 'artificial respiration'. Finally, this will not only slow down the process of exiting Mobile Phones market, but will hinder the process of development in the second (Smart Devices market).

## 3. Sole individual at top management being responsible for technology

This decision will negatively impact (reduce) either the durability (steadiness, solidity) of the product or its functionality, or both of them. These are conflicting tasks. The more durable the system, the more difficult it is to develop functionality, whereas the more functional the system, the more difficult it is to maintain durability. Delegating the responsibility of both, conflicting tasks to a single person in top management will lock this conflict beneath his/her subordinate units and will hinder the effectiveness of examining each product aspect efficiently.

As both aspects of product - durability and functionality - are critically important for company's success, delegating these two tasks to different managers in top management is highly recommended. This type of arrangement will allocate much more time and attention of top management to technology-related issues, which will finally result in a better product quality.

The following conclusions can be drawn from analysing NOKIA's organizational chart: First, such an arrangement of units in the structure may be responsible for organizational inflexibility, unnecessary interactions, excessive bureaucracy and unjustified administrative activities; second, it makes complicated for a company to develop positions in the smart device market and third, the structure interferes with the efficient development of the products' durability and functionality. Whereas both of them along with brand and sales creates the necessary conditions for the company's success.

(Source: Three Problems in NOKIA's Organizational Structure. (2018). Retrieved from <https://www.organizationalstructures.com/three-problems-in-nokias-organizational>)

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### News Report 3: Nokia smartphones in 2017 may be dead on arrival because the "real Nokia" has moved on

Microsoft's CEO of its Asia-Pacific branch, James Rutherford, has gone on the record stating that HMD Global is teaming up with Nokia and will launch multiple devices in the remainder of 2016 and beginning of 2017. *Nokia Power User* also points out that there will be "two new phone products in the fourth quarter 2016 and at least two smartphones in the early second quarter 2017" by HMD.

Line this up with Nokia CEO Rajeev Suri's MWC 2017 keynote and it is enough to get fans around the world excited about Nokia finally making a comeback, but this time with Android inside.

#### The Problem

Just mention the word "Nokia" to a member of the tech community and everyone gets nostalgic. Some loved those crazy (and at times unwieldy) designs, while others will remember how "stuck up" the company's Symbian software was, and are glad that the world has moved on without them. Nokia mobile phones and smartphones till this day are still known for the reliability and those designs. You could toss and throw one around and simply assemble it back and it would start working. Their designs would reflect (and at times inspire) fads or trends in fashion, and were less of the slabs of glass and metal that we have seen in recent years.

One thing Nokia *smartphones* were not good at was software, because it simply refused to evolve and this itself led to its downfall, after Steve Jobs showed off the iPhone and iOS. In short, it's not easy to pull off a Nokia today and that is the exact problem HMD Global will face apart from the fact that the Nokia brand is still in one way or another, rooted to Microsoft, its previous owner.

#### Why Microsoft?

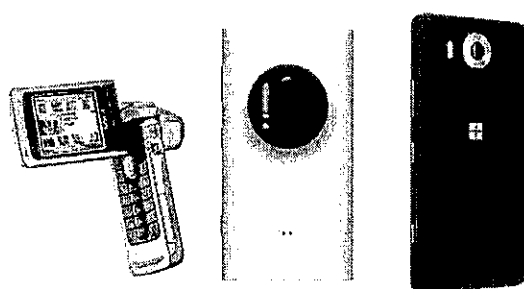
Back in 2013, Stephen Elop gladly handed over Nokia on a platter to his ally Microsoft. Microsoft picked up Nokia, did nothing with it other than retaining some of its design elements (which it eventually let go off as well) and used the smartphone business to push out its Windows Phone software on Lumia hardware, which was a mess back then, still is and forever will be.

With Windows Phone on board it was easy to say that the only element about the Nokia smartphones was the build quality and design, both of which did a good job at making Windows Phone look appealing to buyers. The plan however did not last long and Microsoft indeed had to find ways to get rid of this so called "loss-making machine" and sold the brand off to a company called HMD Global.

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However, HMD is funded by Smart Connect LP and it includes two wounded Nokia soldiers, Arto Nummela (who now heads Microsoft's Mobile Devices business for Asia, Middle East and Africa) and Florian Seiche (who also now works for Microsoft). So it is getting easy to see how Microsoft still holds the reigns when the world thinks that Nokia is finally separated from Microsoft.

The smartphones will be made by FIH Mobile Ltd (a Foxconn subsidiary), so there's nothing Finnish about this new Nokia anymore. One element that could turn out to be the brand's saving grace, is that HMD will have to follow Nokia's design guidelines. But after the iPad-like N1 tablet made by the new-age Finns (Nokia Technologies) themselves, it is hard to see how much HMD can deviate from the current smartphone norms.



The above image gives us a side by side comparison of what was considered to be a Nokia smartphone, what became of it after Microsoft took over, and what Microsoft thinks its smartphone should look like (the 950 was really nothing to talk about).

In a piece titled "Why Nokia Couldn't Beat The iPhone" by Justin Fox, it was clear from the book *Against all odds* that Nokia has to look beyond the smartphone. Ex Nokia CEO Jorma Ollila said, "After a metamorphosis, Nokia will probably find some new area into which it can grow."

What remains of the "real Nokia", is Nokia Technologies, which is now into networks. Its CEO Rajeev Suri is expected to make a big announcement at the upcoming MWC 2017. But since Nokia is into networks, this could be something related to 5G networks and not smartphones. For Nokia Technologies the Nokia OZO 360 degree camera is the new bold step.

Nokia is no longer a smartphone maker, it is just a brand. There's nothing Finnish about it, so it is high time we stopped expecting Nokia (the brand or HMD its owners) to make a big dent in the smartphone world.

HTC and Apple had shown the way for smartphones a few years ago and now every other smartphone out there looks similar. The world too has moved on.

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Even though many are waiting for a company to break the monotony of the slab-like chocolate bar design, in this economy (of large screens, media consumption, premium design is metal and all that jazz), that is just not going to happen. Even if HMD builds a Nokia-branded smartphone with a metal and glass construction and Android inside, it will just be treated as another Android-powered smartphone, not the bold and whacky Nokia that we remember.

(Source: Pinto, Sheldon. (2016, Oct 19). *Nokia smartphones in 2017 may be dead on arrival because the "real Nokia" has moved on*. Retrieved from: <https://www.firstpost.com/tech/news-analysis/nokia-smartphones-in-2017-may-be-dead-on-arrival-because-the-real-nokia-has-moved-on-3690713.html>)

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#### **News Report 4: Why Nokia's Marketing Strategy Failed**

Nokia's fall is a great example of a mistake many companies make. It's not a decision to avoid, but rather it's the avoiding that's the mistake. Here's how you can avoid the same faith.

Since Stephen Elop became Nokia's CEO in September 2010, Nokia's stock price has nosedived. That's an impressive feat; Nokia's stock was going up steadily at that time.

Now Microsoft bought Nokia—presumably to save the biggest Windows Phone manufacturer from looming bankruptcy.

But what made Nokia fail? After all, their products aren't worse than the competitors' products.

Their value proposition and marketing strategy, however, are shining examples of mistakes you just can't afford to make.

Nokia's marketing people don't seem to understand what their value proposition is—what are the best reasons people should buy their products. And when you don't know what your marketing should focus on, there's little chance for it to work.

Nokia's value proposition (or lack of it)

You need to know what is your value proposition.

In short, it describes why your products and services are the best choice for your target customers.

**continued...**



If you don't have a strong value proposition, people have no reason to buy anything from you. They don't even have a reason to pay attention to you.

iPhones are often considered the most prestigious, and if you have a Mac, there are several reasons for choosing the Apple-family member.

Samsung's Android phones are often seen as the most versatile, and they keep up the idea of being more user friendly than iPhones.

But Nokia's phones aren't connected to anything special. They've now tried to create an idea of superior phone cameras. But that's too little too late.

It seems there's hardly anything that would make them better than their competitors.

But just like almost every other company on the planet, something *is* different and better about them. The problem is that they don't seem to know what it is.

Even architects can have clear value propositions that make them stand out from their competitors and the best choice for their target customers. And you might think that the only thing they can use to differentiate their services is their sense of style.

So, when you talk about smartphones, it shouldn't even be difficult to create a compelling value proposition. Nokia just hasn't done it.

Nokia's marketing strategy

Nokia's marketing strategy is good, or at least they're doing all the right things.

But Nokia's marketing *messaging* is all over the place. The lack of consistency guarantees that people have no idea what makes Nokia products better than others.

Their marketing won't work until they understand what the message should be that the marketing delivers.

Right now, all they're doing is trying almost random messages to see if something would magically change the company's future.

For example, TV advertising can be a great marketing method (though for small businesses it's usually a waste of money). But when your marketing is as unfocused as Nokia's, TV ads are only good at draining your marketing budget; you need to be consistent with your messaging for it to work.

When you're clear about what your value proposition is, you can focus all your marketing efforts to it. Everything you do then can revolve around just the key ideas that make the biggest difference to your target customers (and your success).

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That's all an effective marketing strategy does; it makes people understand what are the best reasons they have for buying from you. Nothing more, nothing less. So, use your value proposition in marketing—always.

(Source: Sandeen, Peter. (2018). *Why Nokia's Marketing Strategy Failed*. Retrieved from <https://www.petersandeen.com/nokia-marketing-strategy-fails/>)

**Instruction: Answer all the questions based on the accompanying news reports.**

**QUESTION 1**

- (a) Conduct a SWOT analysis of Nokia Company. Students are required to examine each pillar of SWOT and suggest **FOUR (4)** items for each pillar with justification. (16 marks)
- (b) Following up with the outcome of (a), suggest any **TWO (2)** product-market strategies with justification. (9 marks)
- [Total: 25 marks]

**QUESTION 2**

- (a) Given that “value proposition” is the key to Nokia’s success, propose **ONE (1)** innovation idea, **ONE (1)** add-on service, and **ONE (1)** additional feature intended to make the Nokia’s product attractive to customers. (9 marks)
- (b) Another major value-proposition decision is about the positioning of offerings. Identify any **FOUR (4)** positioning approaches that best defined Nokia’s offerings (16 marks)
- [Total: 25 marks]

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**QUESTION 3**

- (a) *"The lack of consistency guarantees that people have no idea what makes Nokia products better than others"*. Propose an integrated marketing communication mix to reduce the lack of consistency issue. Consideration must be given to 1) the information requirements of potential buyers; 2) the nature of the offerings; 3) the nature of the target markets; and 4) the capacity of the organisation.

(20 marks)

- (b) Would you suggest a PUSH or PULL communication strategy to reduce the lack of consistency issue? Justify your suggestion.

(5 marks)

[Total: 25 marks]

**QUESTION 4**

- (a) At one extreme, Nokia may use a penetration pricing strategy whereby the new product is introduced at low price. Examine any **FIVE (5)** conditions that best facilitate this pricing strategy.

(20 marks)

- (b) Marketing managers are not often looked beyond an initial pricing decision to consider competitor counter-moves, their own subsequent moves and outcomes. Suggest **ONE (1)** action the managers can take to reduce competitive interaction.

(5 marks)

[Total: 25 marks]

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